AUGUST 1, 1983 THREE DOLLARS

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Forbes

THE CASH MANAGERS ARE GOING TO GET YOU . . .

. . . SO, WHICH ONE SHOULD YOU CHOOSE?

T2914030 SAMPLE ZZDF
JOSEPH MCNALLY D03C
SRI ACQUISITIONS DIR
4520 EAST WEST HWY
WASHINGTON DC 20014
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August 1, 1983
Volume 132,
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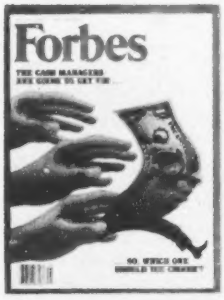

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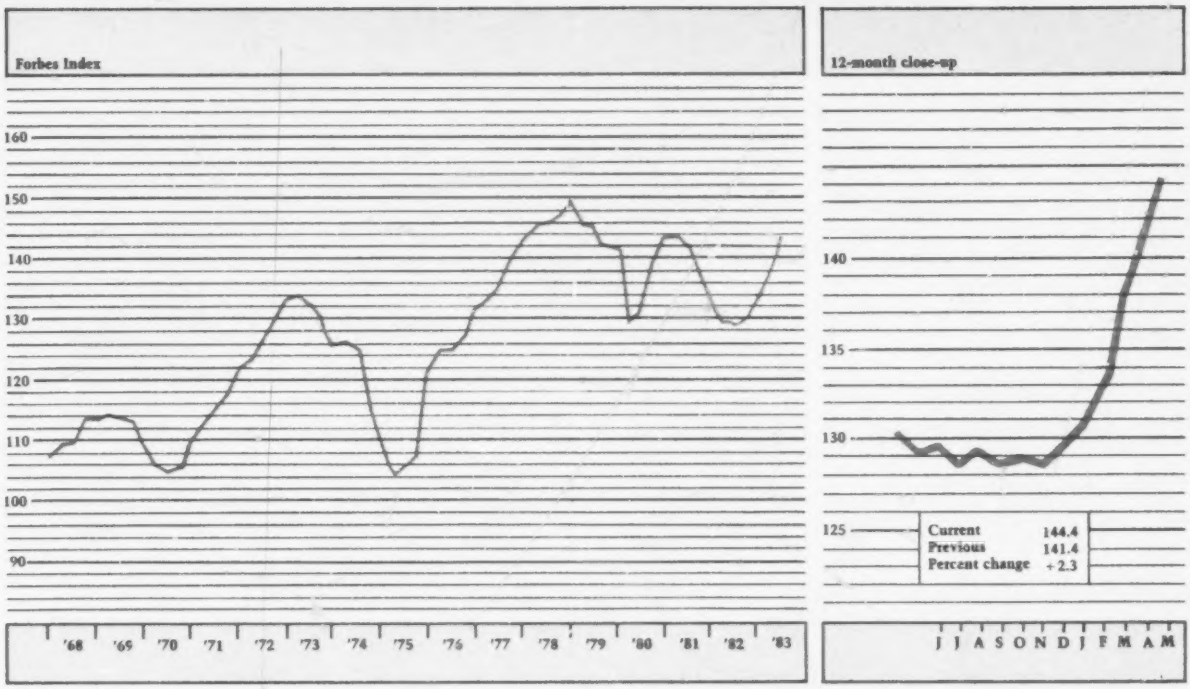
The Forbes Index



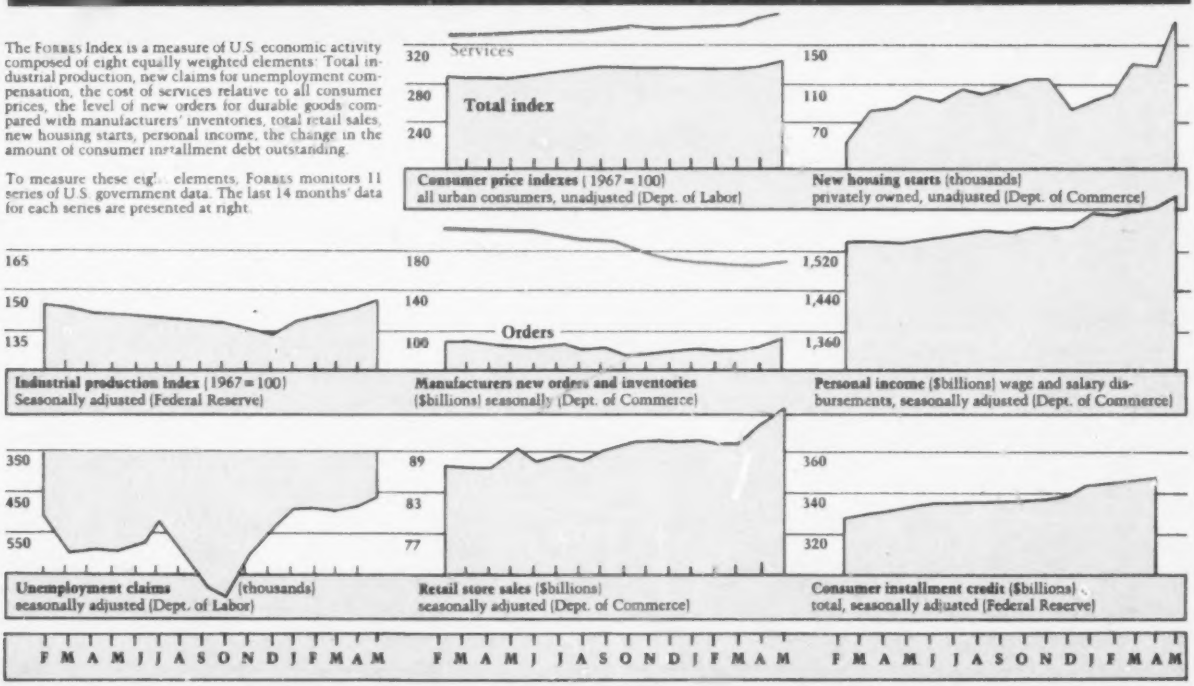
Onward and upward. The Forbes Index has hit yet another high, posting a 2.3% rise. A major factor contributing to the gain was a 5.5% decline in unemployment claims during the latest reporting period. The decline follows a 1.8% drop a month earlier and represents the lowest level for such claims since April 1981. More important, it represents a 32.3% fall from the high-water mark for unemployment claims set in October of last year.

Good news comes also from the manufacturing sector. New orders registered an encouraging 1.3% gain in May. At the same time, inventories are no longer being liquidated but are being rebuilt, as the 0.5% rise in manufacturers' inventories indicates. The restocking of shelves will give new strength to the recovery.

The Forbes Index Components

The FORBES Index is a measure of U.S. economic activity composed of eight equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, the change in the amount of consumer installment debt outstanding.

To measure these eight elements, FORBES monitors 11 series of U.S. government data. The last 14 months' data for each series are presented at right.


320
280
240
Services
Total index
150
110
70
Consumer price indexes (1967 = 100) all urban consumers, unadjusted (Dept. of Labor)
New housing starts (thousands) privately owned, unadjusted (Dept. of Commerce)
165
150
135
180
140
100
Orders
1,520
1,440
1,360
Industrial production index (1967 = 100) Seasonally adjusted (Federal Reserve)
Manufacturers new orders and inventories ($billions) seasonally (Dept. of Commerce)
Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)
350
450
550
89
83
77
360
340
320
Unemployment claims (thousands) seasonally adjusted (Dept. of Labor)
Retail store sales ($billions) seasonally adjusted (Dept. of Commerce)
Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)
F M A M J J A S O N D J F M A M
F M A M J J A S O N D J F M A M
F M A M J J A S O N D J F M A M

Bankers and brokers are doing more than trading hats. Either will now do more for you than both would have only a short time ago. While they slug it out, you stand to be the winner.

A buyer's guide to the financial supermarkets

By William G. Flanagan with Janet Bamford

THE BIG BANKS and brokerage houses are out to snare you. And chances are, well-heeled reader, they will succeed, if they have not already.

What do they want this time? Your money, of course. But now they are serious. No more bits and pieces—a money account here, an IRA plan there, some stocks and bonds, a T bill or CD on occasion. Now they want to manage the whole enchilada, every nickel and dime you have. All your cash savings. The money in your checking account. Your money market account. Your securities portfolio. Your loans. Your credit card trade. Even the equity in your home. In short, they all want to marry you, for your money, until death do you part. It is heralded as an innovation that will do to ordinary banks and brokerage houses what the supermarket did to the greengrocer a half century ago.

Pru-Bache's Nancy Reed keeping tabs on the competition
All major brokers, following Merrill Lynch's lead, now offer managed cash accounts. It's a matter of survival.

Should you surrender? If so, to whom? The answer to the first question is probably yes, the likelihood rising with the size of your assets. The answer to the second should be a lot clearer after you consult the table on pages 146 and 147. There we list the requirements and features of the programs offered by leading brokers, banks and mutual funds. It amounts to a roundup of what's to be found on some of the shelves of these financial supermarkets.

The scramble for five- and six-figure customers is getting frantic as the once clear line between brokers and bankers continues to blur and as Washington eases up even more on regulations that once kept them off each other's turf. One ironic twist of the new rules: Banks can peddle stocks more cheaply than big brokers can. On the flip side, brokers can offer better loan rates than banks can.

There has been precious little profit in it thus far for most of them. Only Merrill Lynch is thought to be making any money on its Cash Management Account. But all the players clearly feel they have no choice. It's their hope, and their fear, that once you start shopping under one of those roofs, you are not likely to stray.

The bait that brokers and bankers are using to get you in out of the cold is the managed cash account. For $100 a year or less, which is even at least partly tax deductible, you get a raft of financial services that were blue-sky stuff only a few years ago. The smorgasbord includes:

□ Free, unlimited checking.

□ A single, consolidated monthly statement listing all your financial transactions—securities bought and sold, checks written, credit card transactions, cash withdrawn and deposits made, the market value of your portfolio, your buying power, your short interest, your overdraft status, etc.

□ Low-interest loans made against your portfolio (from brokers).

□ Discount stock and bond transactions (from bankers and others).

□ Coupons on bonds automatically clipped, cashed and deposited, at no cost to the customer.

□ Automatic reinvestment of all dividends.

□ One or more money market accounts, into which idle cash is automatically swept, so it can earn high interest.

□ A Visa, MasterCard Gold Card or American Express Gold Card.

□ Ability to gain instant access to all your cash and credit, in some cases 24 hours a day, worldwide.

□ Free traveler's checks.

□ A year-end tax statement broken down into as many as 99 categories.

□ A buying service, covering over 60,000 categories of goods you can shop for by phone.

□ Toll-free telephone access to service representatives to straighten out problems on your statement.

□ Insurance on your assets of up to $25 million.

Not every major broker or every bank provides every one of the above services, but many of them now do, or soon will. Most big banks are still

Personal Affairs

Edited by William G. Flanagan

bundling their managed cash programs—that is, combining a number of services in a single account—but meanwhile they are offering more and more services, as the law permits.

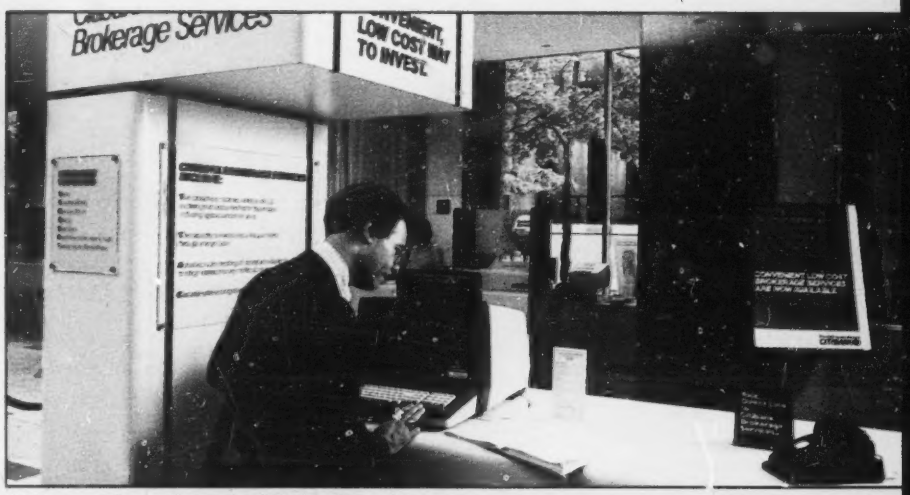
What is truly remarkable about this new breed of account is the fact that it is so cheap. Discounting the credit card, which in some cases is optional, the cost of all the other financial services comes to a mere $25 to $60 a year. Actually, you don't have to throw everything you have into one of these accounts. Generally speaking, you need only $10,000, in cash and/or securities. Only $1,000 is required to open some accounts. So it is possible for people with substantial assets to have an omnibus account with one institution while maintaining a continuing relationship with their old banker or broker. Splitting your business does deprive you of the full advantages of the one-stop consolidated monthly statement, but it has the offsetting advantage of providing access to a wider variety of services and sources of advice and information.

In effect, the bookkeeping for this consolidated statement is a loss leader for the institution providing it. The profits will come from the services that lead to the bookkeeping—management fees on the money market accounts, commissions on stock and bond transactions, interest on loans, fees on stocks that are loaned, to name a few.

These new accounts are tailored for well-to-do customers—for good reasons. "The 20-80 rule of economics, where 20% of the customers give you 80% of the business, holds true consistently throughout the financial services business," notes Edward Furash, a Washington, D.C.-based consultant on financial services.

While there is no question that managed cash accounts are a very good deal for most people who qualify—they are already paying some or all of those charges anyway—there are some drawbacks. To name the most common problems:

■ The statements. Generated by computer and groaning with data, they can be confusing. In time most statements should be easier to digest. "The accounts you see now are only a way

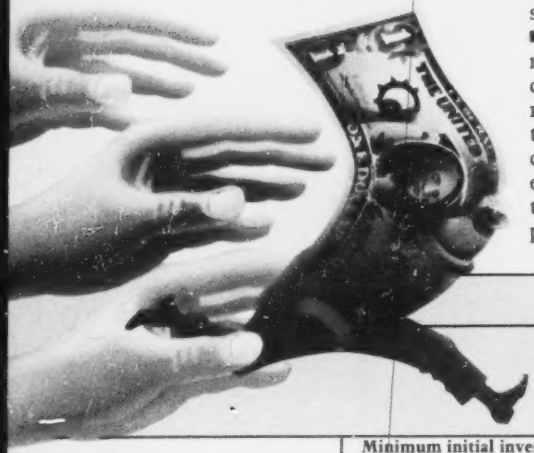


Buying stock at a branch of Citibank, at discount

Merrill Lynch rep explains CMA—including checking and loan features

At Sears outlet, shoppers can buy insurance and stocks, and cash checks

The era of one-stop shopping for financial services has indeed arrived. The bigger your account, the more sense it makes, and the more you will be solicited by brokers, bankers and others.



station," says consultant Furash.

■ Canceled checks. Many brokers do not supply their customers with canceled checks each month. Their statements record all checking transactions, including the numbers of the checks. In some cases, the client can encode checks, indicating the type of transaction. But to retrieve a check physically, if required, can take additional days and costs $1.25 or so. When you have to produce a canceled check to prove to the IRS or a sloppy storekeeper or the parking violations bureau that you have indeed paid a bill, retrieving your checks can be a nuisance. (But Elaine Hart, director of Shearson/American Express' FMA marketing, points out that most customers still maintain personal check-

The financial smorgasbord

Below is a sampling of what some of the larger firms are offering up to customers in the way of central assets accounts. All have standard characteristics: a checking account, a brokerage account, money funds, a debit or

Central Assets Accounts	Minimum initial investment cash or securities ($thousands)	Minimum account balance[1]	Yearly fee	Sweep of funds into money market	Routinely return canceled checks?	Insurance availab including SIPC
Merrill Lynch: Cash Management Account	$20	discretion of account executive	$50	$1,000 or more daily under $1,000 weekly	no	$10 million
Dean Witter: Active Assets Account	20	discretion of account executive	50	all funds daily	no	$25 million
Shearson/American Express: Financial Management Account	15	discretion of account executive	100	$1,000 or more daily under $1,000 weekly	no	$10 million
Prudential-Bache: Command Account	20	discretion of account executive	50	$1,000 or more daily under $1,000 weekly	no	$10 million
EF Hutton: Asset Management Account Asset Reserve Account	10 (cash) 20 (securities or combination)	discretion of account executive[2]	80 (AMA) 40 (ARA)	$1,000 or more daily $100 or more weekly $1 or more monthly	yes	$10 million
Paine Webber: Resource Management Account	15	discretion of account executive[3]	100 60 (without card)	$500 or more daily under $500 weekly	yes	$10 million
Smith Barney: Vantage Account	20	discretion of account executive[3]	100	$1,000 or more daily under $1,000 weekly	no	$25 million
Kidder Peabody: Premium Account	25	discretion of account executive[3]	75	$1,000 or more daily under $1,000 weekly	no	$10 million
AG Edwards: Total Asset Account	20	discretion of account executive	50	div. and int. weekly $500 or more daily under $500 weekly	no	$10 million
Advest: Advest Reserve Cash Account	5	discretion of account executive	25	all funds daily over $100 weekly into tax-exempt	no	$2.5 million
Fidelity: Ultra Service Account	10	$5,000 (cash)	36	$500 or more daily under $500 weekly	yes	$500,000
Citibank: Focus	10	discretion of account executive	60	all funds daily	yes	$500,000 plus $100,000 FDIC
Crocker National Bank: Working Capital Account	10	discretion of account executive	90	all funds daily	yes	$500,000 plus $100,000 FDIC
Charles Schwab: One Account	1 (cash) 5 (securities)	$500	60 (if below $10,000 balance)	all funds daily	no	$2.5 million

[1]Margin account regulations require minimum equity of $2,000. [2]Account may be closed if balance is below $5,000 for two consecutive months. [3]Under certain circumstances, account may be closed or addition fees levied if balance is below $10,000. [4]Accounts are debited only once a month. NA: not available

ing accounts in banks to take care of household bills.)

■ Man versus computer. Getting explanations, making changes or correcting errors can be trying. And problems and mistakes do occur, of course. "We get the usual clinkers that everyone gets," says Jim Howard, vice president of Dean Witter, "the lost card, all the Murphy's law things—all the normal broker things that can go wrong." If you cannot solve the problem over the phone with a service representative, you might find your broker less than eager to help you, especially if the problem is not related to your securities transactions. "They didn't get into the business to be tellers," says Mike Lipper of Lipper Analytical Services. Merrill Lynch is now setting up customer service centers in its branches. But getting eyeball-to-eyeball service on brokers' managed cash accounts is still not easy. And while there are bodies at bank branches, it remains to be seen how helpful they will be in straightening out complex securities problems.

■ The debit card. With many accounts, your Visa or MasterCard acts

harge card and some sort of comprehensive statement that ties it all together for you. And the ood news is, both the servers and the services keep multiplying. Look for more banks, mutual nds, insurers and smaller brokerage firms to come roaring into the marketplace.

oney funds	Statement list features	Number of accounts	Card	Startup date	Current assets controlled by accounts (6/30/83)	Extra features
oney market vt securities x-exempt	check payee	940,000	VISA debit	9/77	$75 billion	securities research
oney market vt securities x-exempt	check payee check coding—20 personal and tax categories	110,000	VISA debit	3/82	$9 billion	securities research check cashing at 850 Sears stores
oney market vt securities x-exempt	check payee check coding—8 personal and tax categories	32,000	American Express Gold[4]	2/82	$4.3 billion	securities research
oney market vt securities x-exempt IC ins acct	check payee check coding—7 personal and tax categories	36,000	VISA debit	2/82	$3.6 billion	securities research command buying service
oney market vt securities x-exempt	only amount of check written	14,000	American Express Gold[4]	6/82 5/83	$16[illegible] million	securities research
oney market vt securities x-exempt	only amount of check written	15,000	MasterCard[4] (optional)	3/83	$2.4 billion	securities research
oney market vt securities	check payee check coding—1 personal or tax category	NA	American Express Gold[4]	3/83	NA	securities research
oney market vt securities x-exempt	check payee	6,000	VISA debit	6/82	$900 million	securities research
oney market vt securities x-exempt	check payee	10,000	VISA debit	2/82	$450 million	securities research
oney market x-exempt	check payee	5,000	VISA debit	11/81	NA	securities research
oney market	check payee check coding—99 personal and tax categories	15,500	MasterCard Gold[4]	2/83	$470 million (money funds only)	discount brokerage
oney market vt securities x-exempt IC ins acct	check payee	NA	VISA debit	4/83	$20 million	discount brokerage
oney market x-exempt IC ins accts	only amount of check written	NA	VISA debit	5/82	NA	discount brokerage account available only in California
o funds but ily interest 13-week bill rate	only amount of check written	23,000	VISA debit + 1% rebate	11/81	$170 million	discount brokerage

like a plastic check that allows you instant access to all the cash in your account, plus the money in your money market account, plus the margin limit on your securities. That's great if you buy a Pissarro while passing through Paris but a nightmare if you lose the card and the "finder" strolls into a bank and taps into your account. Merrill Lynch says misuse of its Visa cards shouldn't trouble customers unduly, as they are liable only for $50 if the card is stolen. Still. . . .

Also, an undisciplined customer could easily go overboard with that much cash access. "If you're granting people credit who don't know how to use it, it gets scary," says Mike Lipper. "There is nothing wrong with margin debt as long as the money is being put to productive use. If you wind up hitting your assets to take a dozen people to La Côte Basque and drop $2,000 there, that creates a debt structure you're not used to."

Finally, using the debit card against your own assets denies you the float that ordinary credit cards permit—up to 45 days. (Note, however, that some cash accounts won't offer a debit card

The thundering herd sees red

At last count Merrill Lynch had signed up close to a million CMA accounts, more than double the number opened by Dean Witter, Shearson, Paine Webber and all the rest combined. But far from feeling smug about its competitors, Merrill Lynch is mad as hell. It has turned its lawyers loose and gone into court demanding competitors pay to use its patented CMA program.

Why the anger? Besides feeling its product—painstakingly developed for years—was being stolen, there was the touchy matter of a strategic talent raid.

There were four key defections from Merrill Lynch's CMA development team. Neil See, who was second-in-command at CMA, was wooed away by Dean Witter in 1980. Three others left the herd in 1981: Nancy Reed, who was in CMA product development, became marketing director of Pru-Bache's Command Account program; Elaine Hart, who had been CMA services manager, joined Shearson/American Express to head up its Financial Management Account business; and Rick Roeder, a lawyer who was instrumental in getting the CMA over regulatory hurdles, likewise joined Shearson that year. (Roeder has since left Shearson.)

The first legal salvo, demanding compensation from other brokers, was fired last summer. On Sept. 14, in a letter to nine brokerage firms, over President William Schreyer's signature, Merrill advised:

"As you may already know, on Aug. 24, 1982, the U.S. Patent and Trademark Office issued Patent No. 4,346,442 on certain features of our Cash Management Account financial service and its underlying system. We believe that [name of recipient firm's] financial service employs these same features and that you will, therefore, be interested in obtaining a license under our patent. To that end, enclosed is a license agreement."

Enclosed with that marvelously self-assured letter was a six-page contract that, among other things, called for the licensee to pay Merrill $10 a year for every account. It also asserted Merrill's right to have all licensees' books and records examined.

Schreyer's letter, predictably, intimidated no one. "You can't patent oxygen," said James Howard, who is in charge of communications for Dean Witter's Active Assets Account. "It seems as if Merrill Lynch is trying to hold the rest of the investment community hostage," Bache chief George Ball quipped, "but I doubt that they can do it with a water pistol."

Paine Webber replied with a lawsuit. In a motion filed in U.S. District Court in Wilmington, Del., Paine Webber asked the court to declare the CMA patent invalid.

Merrill countersued Paine Webber and, while it was at it, sued Dean Witter as well, claiming that its patent was indeed valid and had been infringed upon. (Patent 4,346,442, let the record show, is an 11-page document that includes a detailed description—including flow charts—of the data processing methodology used in the Cash Management Account.)

Why was Dean Witter brought into the suit? James Grady Jr., general counsel for Merrill Lynch, explains: "We considered that Dean Witter was using a product extremely similar to our CMA and that they had achieved their product, at least in part, because they had hired an employee [Neil See] who had worked for Merrill Lynch and who had been very directly involved in the development of our CMA." Another reason: Dean Witter, owned by merchandising giant Sears, Roebuck and with about 68,000 Active Asset Accounts at the time, was CMA's largest competitor. It still is.

In May the judge hearing the case, James Latchum, separated Merrill's quarrel with Dean Witter from the Paine Webber dispute. Each is being heard individually. He also ruled that Merrill's patent could not immediately be declared valid or invalid and that the issue must be tried. Further litigation is expected.

Merrill's pursuit of Dean Witter may be complicated by See's retirement on July 1. Although See falls well short of retirement age, "his health isn't good," explains Dean Witter Chairman Robert Gardner.

Will the court uphold the patent? "It's difficult to say," says patent attorney Bruce Hamburg. "Strictly on the basis of past court decisions, Paine Webber would seem to have a 2-to-1 chance of winning," he notes.

Its resort to law, according to Merrill attorney Grady, is not to exclude others from using CMA-type accounts but to attain "full recognition of the fact that this is a Merrill Lynch invention." Maybe so, but some observers feel that if the patent is upheld and the licensing bid is successful, the financial services industry as a whole will suffer. "If Merrill Lynch pulls this off," says consultant Edward Furash, "it will bring on a new era in which people will use both patents and lawsuits to fight competition. I'm not sure that's very productive."

Meanwhile the whole question could become moot. Merrill seems keenly aware that there is a finite number of fat-cat accounts to be had in the marketplace, and the banks have not yet begun to fight. Time is of the essence. So while the competition labors under a legal cloud, Merrill is happily signing up roughly 3,500 new accounts a week. Living well may be its best revenge.—**Kevin McManus**

Personal Affairs

if you don't want it, and some also offer traditional credit cards.)

Merrill Lynch's CMA chief, Michael Sanderson, is aware of the possible abuses of the debit card, and the fact that the customer loses float, but insists that the firm's wealthiest customers prefer it that way. "They have enough credit as it is with other cards. The debit card is the card of the future," he says.

■ Statement security. When you put all your financial eggs in one basket and get 12 monthly statements and one annual statement a year, for example, which detail every significant thing you've done with your money all year, you'd better watch out whose eyes fall on those statements. In some firms the brokers can peruse your complete statements if they care to, and you might not like that. One broker, for example, took special note of how much a client was spending each month to see a psychiatrist. If you, like many active traders, use a discount as well as a full-service broker, you might not like your regular broker to know that you have been writing checks to the discounter.

Obviously, too, a soon-to-split spouse who runs off to an attorney with a copy of your statement has a lot of ammunition in a divorce proceeding. And the IRS, if you are hiding anything, would love to see your statements—and could easily subpoena them.

■ Making deposits. With some accounts it can be a nuisance to make cash deposits, especially if you are used to automatic payroll depositing. Although some firms may introduce a direct deposit service in the future, at present most still accept only your personal check as a deposit.

■ Closing an account. If, because of poor service, a move or any other reason, you want to close your managed cash account, you might find it time-consuming and frustrating. With so many wheels spinning, it's hard to stop them all simultaneously. Competitors complain that some Merrill Lynch customers who tried to switch their accounts have encountered seemingly needless delay. Merrill's Sanderson replies that customers who close CMA accounts slow the process unnecessarily by not turning in their credit cards and checkbooks right away. Checks in the pipeline, as well as credit charges, can take time to filter through, he also points out.

Nevertheless, most well-heeled customers will find that the flaws and potential problems are outweighed by the benefits of these new types of accounts. A sizable market already has been found, as evidenced by Merrill Lynch's success in signing up close to 1 million customers so far for its Cash Management Account. Every major competing broker now offers its own version of CMA. In some cases these versions so closely resemble Merrill Lynch's patented CMA that Merrill has sued some firms and is trying to exact royalties from practically everybody on The Street *(see box, p. 148)*.

Broker living it up in Chemical Bank ad

Deregulation is allowing banks to get back at brokers for invading their turf.

It's understandable why Merrill is being testy. It originated its CMA in 1977 and had to break a lot of costly ground to get the product launched. But the notion itself is not extraordinary. All issuers agree that the biggest single selling point of these accounts is simply the ability to put idle cash to work. Depending upon the account, and the amount of cash, funds are swept daily or weekly from the checking account into money market accounts. Says Nancy Reed, vice president of marketing for Prudential-Bache's Command Account: "The cornerstone of all these products is the sweep feature."

It's a product whose time, clearly, has come. "The homogenization of the financial services industry came about because of the openings created by inflation," says Edward Furash. "Consumers wanted higher rates on their deposits, which created the money market funds. And there were major shifts in consumer attitudes that caused them to be far more interested, because of inflation, in alternative investments and the ability to move funds around, and in being able to capitalize on borrowing power."

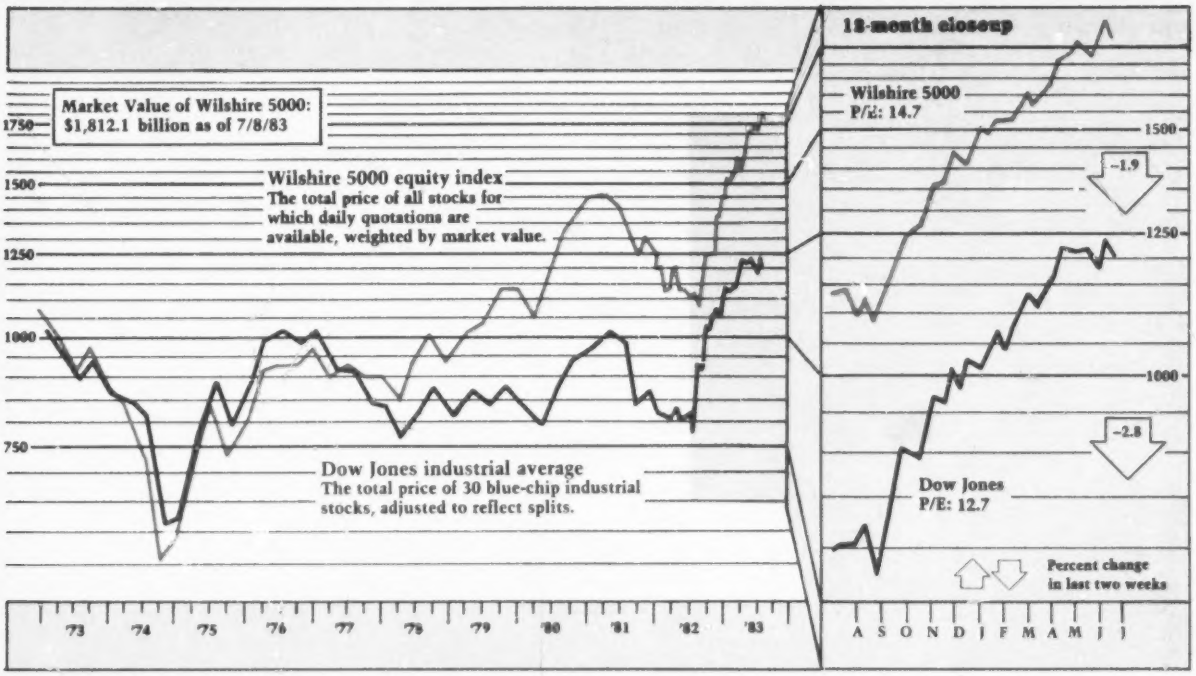
It is, of course, only very recently that banks have been able to satisfy this core demand of consumers—to have "extra" money on deposit earning money market interest. But no moss has been growing under such traditionally aggressive banks as Chemical, Citibank or Bank of America. Citibank launched its Focus program in mid-April 1983 and already has over $20 million in deposits. Not bad, considering it is advertised heavily only in New York City. Bank of America bought discount broker Charles Schwab last spring and added its considerable muscle to Schwab's existing managed cash account, which is, of course, national. Chemical Bank, which is already offering customers discount brokerage services, is busy hammering out its own scheme. Says William Turner, executive vice president: "We are working on a CMA-type program that will probably be ready before year-end."

How does all this competition affect you? The affluent consumer can only benefit as the bankers and brokers slug it out for control of your cash. More financial services—automatic payroll depositing, travel services and automatic bill paying—are bound to be tacked onto managed cash accounts at little or no cost.

Which one will be best? "I think it is a mistake for anyone to think that a single product is going to dominate the financial services industry any more than a single type of car dominates the automobile industry," says Furash. "The real question for most of the institutions is whether the markets are large enough to make what they intend to introduce sufficiently profitable in the face of many competitors. And the guts of that answer lies in merchandising."

The bankers and brokers have lusted after one another's markets for years, and now they can all duke it out. Whatever happens, you will come out the real winner. ■

The Forbes/Wilshire 5000 Review



Surviving the heat. Although the market was unable to capitalize on recent gains, it did cope with profit-taking and fears of a rise in interest rates. The Dow industrials ended the two-week period at 1207. That is off 2.8%, but still above the 1200 level. NASDAQ issues suffered a similar setback. Oil and oil-related stocks, however, ran counter to the trend. That is part of the reason the Amex did relatively better, slipping only 0.3%. The Wilshire index shows that the overall market lost 1.9% during the period.

The Amex has emerged as a clear market leader. The Wilshire index indicates that the market as a whole is up some 60% for the last 52 weeks, but the average Amex issue has almost doubled. Amex stocks have been particularly strong over the last month as well. During this time, the Amex gained 5.6%, vs. 2.6% for the NYSE and only 1.4% for NASDAQ issues. The Amex has moved ahead on the strength of the oils and technology groups.

During the last two weeks the price/earnings multiple of the Wilshire dropped from 14.9 to 14.7. But the 1.3% decline in the P/E ratio was less than the 1.9% fall in the Wilshire index. Earnings are rising. But they must continue to rise to sustain this bull market. Otherwise, a P/E of 14.7 will start looking very pricey.

Close-up On The Equity Markets

Performance of six leading indexes

Percent change	Wilshire 5000	Forbes 500[1]	Dow Jones Industrials	NYSE Composite	Amex Market Value Index	NASDAQ Composite
in last 4 weeks	2.6	2.7	0.9	2.6	5.6	1.4
in last 52 weeks	60.1	52.2	48.3	54.9	97.8	90.1

Stock performance based on five key investor yardsticks

Percent change	Company size		Volatility[2]		P/E multiple		Dividend yield		Growth profile[3]		Share price	
	large	small	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	1.7	6.0	5.3	0.8	3.1	4.3	0.8	4.2	6.5	0.4	2.0	5.3
in last 52 weeks	62.6	173.7	169.5	61.4	124.6	162.6	53.4	165.8	182.2	62.5	78.6	165.0

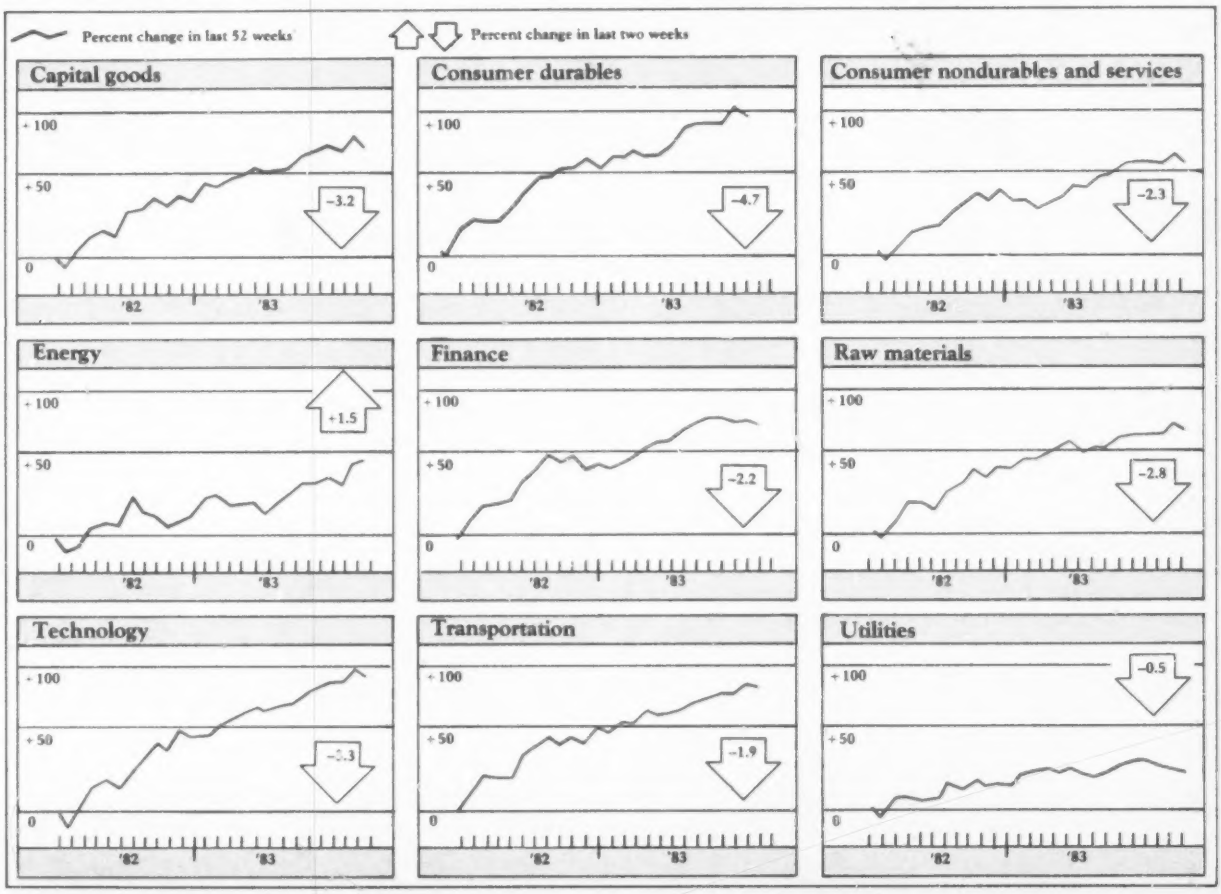
[1]Based on sales.
[2]A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations, low-volatility issues are more stable.
[3]A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 7/8/83. Prepared by Wilshire Associates, Santa Monica, Calif.

Where The Action Is

High-octane performance. Over the last four weeks energy stocks were up 11.9%, outperforming the other eight sectors by a wide margin. And during the recent two-week period the oil group, with a 1.5% advance, was the only sector to post a gain. Oilfield-service issues were particularly hot.

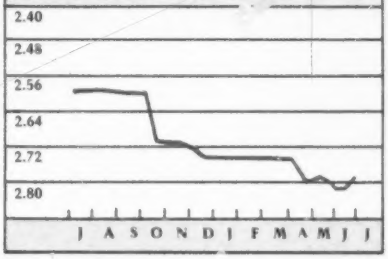
Despite encouraging sales reports from the auto companies and major retail chains like Sears, K mart and Dayton-Hudson, consumer durables lost 4.7% and consumer nondurables, 2.3%. Capital goods and technology issues slipped more than 3%, and raw material and finance lost more than 2%. In the meantime, investors appeared to be hedging their bets on rising interest rates and were a little kinder to utility stocks: This group lost only 0.5%.



What The Analysts Think

A vote of confidence. The analysts strengthened the utility group's hold on first place with a strong 2.52 rating on the 1-to-5 buy/sell scale. Meanwhile, transportation and raw materials jumped in their rankings. But analysts, contrary to the market, are now less optimistic on energy shares, which have fallen from second to fourth place.

The experts' consensus



Rank	Sector	Current opinion	Rank 2 weeks ago	Rank 4 weeks ago
1	Utilities	2.52	1	1
2	Transportation	2.68	4	4
3	Raw materials	2.72	6	6
4	Energy	2.77	2	2
5	Capital goods	2.79	5	5
6	Finance	2.80	3	3
7	Consumer nondurables	2.82	7	7
8	Technology	2.88	8	8
9	Consumer durables	2.98	9	9

Opinion ratings are ranked on a scale of 1 (strong buy) to 5 (strong sell). Data reflect the views of 200 institutional analysts. The consensus of opinion graph is the composite rating of 1,200 stocks, while the sector breakdowns correspond to industry groups graphed above. All figures are weighted for market capitalization.

Note: All data for periods ending 7/8/83. Prepared by Wilshire Associates, Santa Monica, Calif.

After two years of surplus sugar production, there now appears to be a modest shortfall. It's nothing to build a rally on.

A SWEET TREAT FOR THE BEARS

By Stanley W. Angrist

Most commodity traders like sugar as a speculative vehicle. It does not take a lot of searching to find out why. In 1974 sugar made a spectacular move from 12 cents per pound to over 66 cents in a few months, allowing some iron-nerved speculators to realize over $50,000 profit per contract. In 1979 it displayed again its taste for dollar fireworks, as it moved in a year from a base of 8 cents to 45 cents per pound.

Recently, sugar has started to move up again. After sleeping between 6 cents and 8 cents per pound for almost a year, it doubled in price, reaching 12 cents per pound. Fundamentalists should be puzzled by this move. Here's why.

The world produced 100.5 million metric tons of sugar in the 1981-82 crop year, yielding a huge 8.9 million metric ton surplus. The 1982-83 season produced another 4.3 million ton surplus. It is interesting to note, however, that these huge excesses of sugar did not stop prices from doubling when a potential deficit of 1 million to 2 million metric tons was forecast for the 1983-84 crop year. This shortfall can easily be supplied by the European Economic Community or India, which hold excess stock. So why did the price double?

Stanley W. Angrist is a commodity speculator, consultant and longtime observer of the commodity markets.

The market simply is reflecting the short-term dislocations that can occur in a transitional stage as sugar consumers locate low-cost sugar stocks from which to fill their needs. These fundamentals bring out the bear in me. I think a bear spread of long May 1984/short October 1983 sugar makes some sense. Over the years the spread has had a tendency to work fairly consistently from early summer to mid-September *(see table)*. One of the factors encouraging me in this trade is the fact that October has been unable to command a premium over May, in spite of sugar's rapid price rise.

The margin per spread is $750 and the round-turn commission should be about $115. I would enter the spread only if May is at no more than 125 points premium to October, risk no more than 50 points ($562 per spread) from the entry point and look for the spread to widen at least 75 points ($843 per spread) from the entry point.

You should be aware that from July 1 on there is no price limit on the October contract. Therefore, the risk in this spread is substantial. Consequently, this spread will take some careful monitoring by those who trade it. ■

A sweet spread

Over the past 15 years October sugar has shown a tendency to lose relative to May from early summer until mid-September. One should also note that, in 11 years out of the past 15, October has sunk to a discount relative to May by the time the spread is usually lifted. The data below are the average weekly differences in points, obtained by subtracting October from May. Each point is worth $11.25. In 1974 sugar experienced one of the greatest price rallies ever in the commodity market, rising to 66 cents per pound. For those playing this bear spread, it was a disaster.

Calendar year	Week ended June 17	Week ended Sept 16	Potential gain or (loss)
1968	41	59	18
1969	–2	–21	(19)
1970	2	0	(2)
1971	12	61	49
1972	–21	59	80
1973	– 67	–58	9
1974	– 430	– 623	(193)
1975	– 41	–77	(36)
1976	20	124	104
1977	46	158	112
1978	97	80	(17)
1979	100	127	27
1980	80	104	24
1981	58	150	92
1982	153	159	6

Source: Shearson/American Express.

You can catch more bulls with sugar . . .

Some observers of the sugar market think that a sustained rally in sugar would move the October contract to a premium over the May. It has not happened so far. Could this be a trap to catch unsuspecting sugar bulls?